



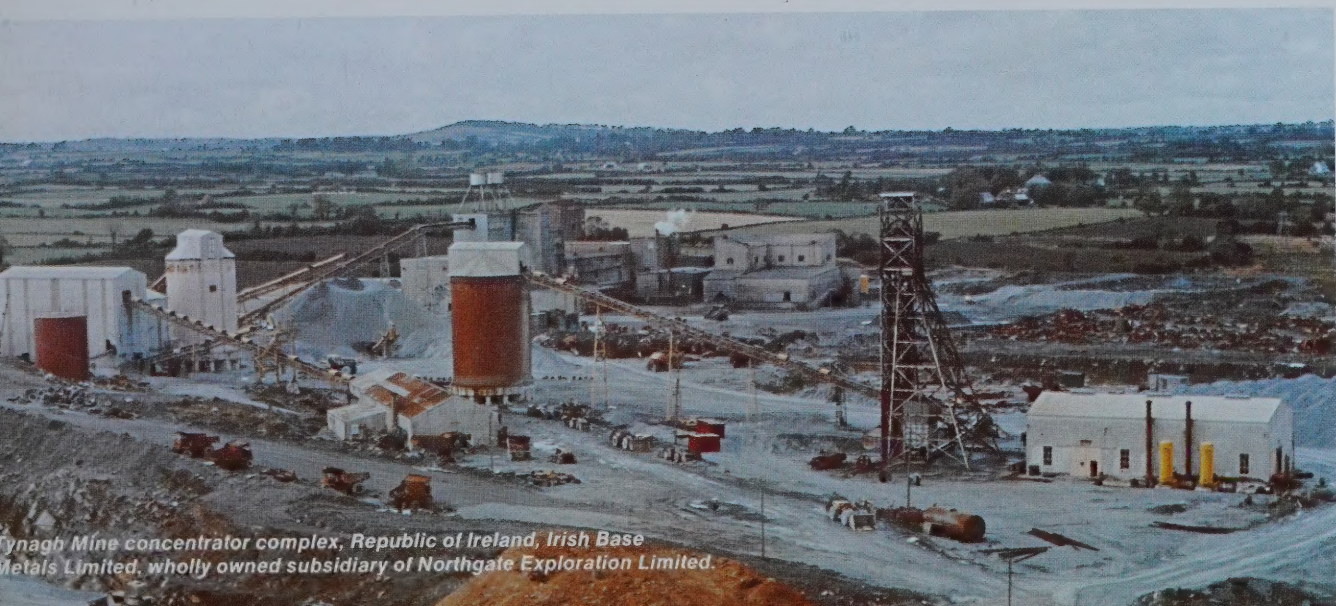
Black Angel Mine in West Greenland, of Greenex A/S, wholly owned subsidiary of Vestgron Mines Limited.

File

WESTFIELD MINERALS LIMITED

TWENTY-SECOND ANNUAL REPORT

1977



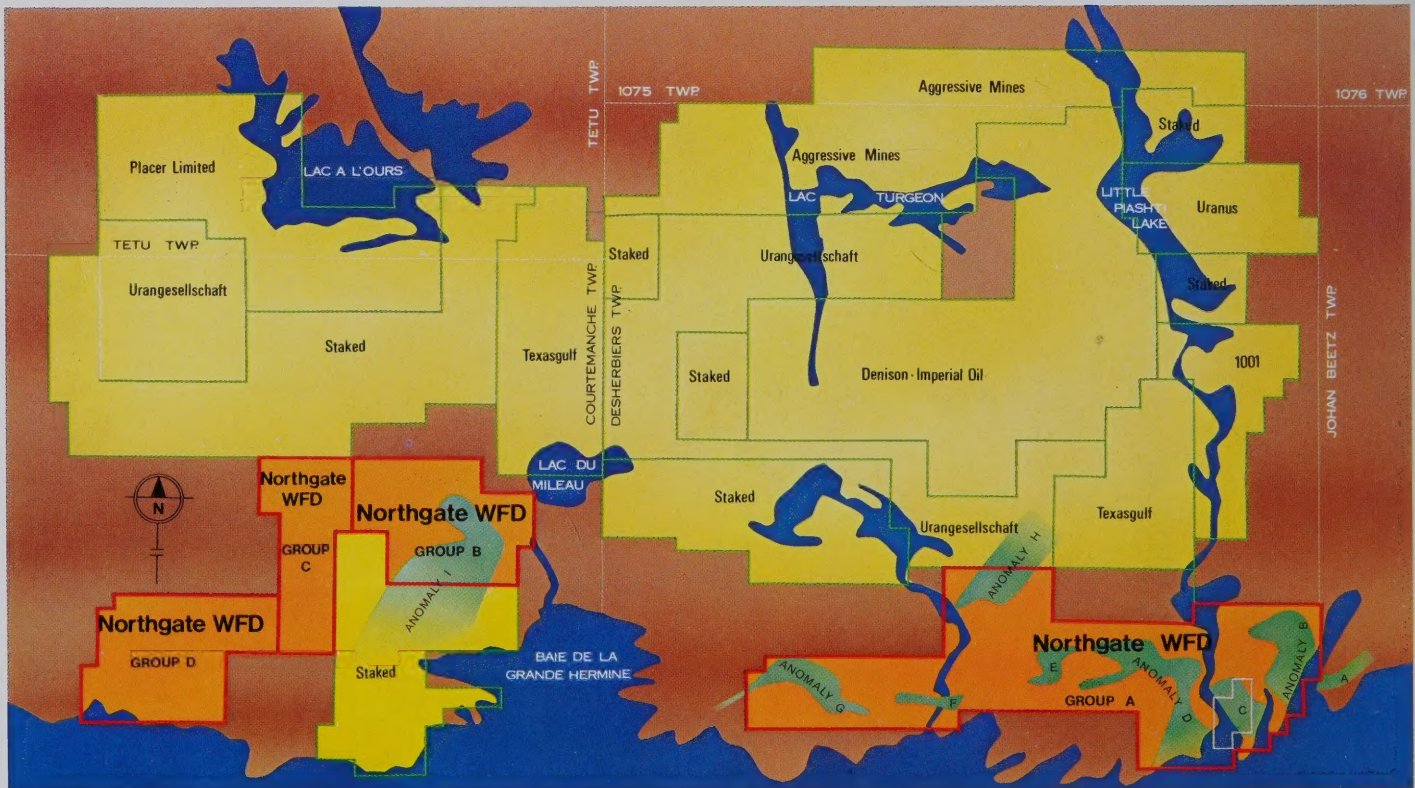
Synagh Mine concentrator complex, Republic of Ireland, Irish Base Metals Limited, wholly owned subsidiary of Northgate Exploration Limited.

WESTFIELD MINERALS LIMITED J/V

JOHAN BEETZ URANIUM AREA, QUEBEC



Scenes from 1977 Field Season



This map was produced from various sources, none being official or certified, all property boundaries are approximate.
James H. Priest • Drafting Services Whitby, Ontario

WESTFIELD MINERALS LIMITED

DIRECTORS' REPORT TO SHAREHOLDERS

The Directors are pleased to present the 22nd Annual Report of the Company. Included are the audited consolidated financial statements for the year ended December 31, 1977, together with a review of principal investments and exploration activities during the year and the subsequent period to date.

Your Company's main assets are its equity interests in Vestgron Mines Limited (9.8%), Northgate Exploration Limited (13.6%) and Whim Creek Consolidated N. L. (22.5%). Vestgron is engaged in base metal mining in Greenland and Northgate is similarly engaged in base metal mining in Ireland together with, among other investments, an approximate 10% equity interest in Tara Exploration and Development, the latter's 75% owned subsidiary, Tara Mines, operating the large zinc-lead mine at Navan, Ireland.

Whim Creek, essentially an exploration company with numerous properties including partially explored nickel-copper deposits in Western Australia, is currently engaged in feasibility studies relating to prospective copper and gold mining operations.

Further details regarding each of the foregoing companies in which Westfield owns substantial minority shareholdings are set out in appropriate sections of this report.

In addition to the geographically widespread exposure to exploration through affiliated and other companies, Westfield is active, both on its own account and in joint venture projects, in mineral and natural gas exploration in many areas throughout Canada, and in Alaska, U.S.A.

During 1977, Westfield participated in various joint venture projects with Northgate Exploration Limited, including uranium exploration in the Johan Beetz area, Quebec (WFD 25%); zinc-lead-silver at Ortell Lake, Yukon (WFD 40%); base metals, Seward Peninsula, Alaska, U.S.A. (WFD 40%) and base metals-uranium in the Maritime provinces of Newfoundland and Nova Scotia (WFD 60%).

Also during the year, Westfield participated in a joint venture with Canico and Dejour involving a uranium prospect in Ontario (WFD 25%) and subsequent to the year end acquired a 7.5% interest in a project covering the drilling of a test well for gas in the Slave Point area, British Columbia.

The WFD/NGX joint ventures in Alaska and in the Maritime provinces, as well as the Inco/Dejour program in Ontario, were terminated during the year.

Other asset interests of your Company include a 25% net profit carried interest on all production profits from its formerly owned Coniaurum Mine (copper-gold) in the Timmins area, Ontario, now owned and operated by Pamour Porcupine Mines, Limited. The term of this agreement extends to December 31, 2024. Westfield is also entitled to receive one-third of the net proceeds from the sale of the surface rights of the Coniaurum property. No income was earned under this agreement in 1976 or 1977.

Investments

Your Company's principal investments consist of the following:

Northgate Exploration Limited — 936,619 shares
Direct Interest — 13.6%

Vestgron Mines Limited — 414,510 shares
Direct Interest — 9.8%

Whim Creek Consolidated N. L. — 2,500,000 shares
Direct Interest — 22.5%
Indirect Interest — 4.3%

The approximate combined market value of these investments as at December 31, 1977 was \$9.7 million compared with \$13 million at the 1976 year end.

Other Interests

Additional investment holdings of your Company include 208,444 shares of Redstone Resources Inc., 41,458 shares of Nufort Resources Inc., 391,871 shares (56.8%) of Here Fault Copper

Limited, 100,000 shares of Duport Mining Co., Limited and approximately 20% of Rose Creek Vangorda Mines Limited. Only Redstone and Nufort have market quotations.

During the year, Westfield's subsidiary Here Fault reached agreement in principle with the Quebec government sponsored Soquem covering the 682-acre copper prospect in Rouyn Twp., Quebec. Under the terms of the proposed agreement with Soquem, the latter can earn up to a 50% interest in the property through the expenditure of \$200,000 in exploration over a three-year period, \$100,000 of this amount in the first year of the agreement. It is expected that initial work to include deep surface diamond drilling will commence shortly.

Financial

Westfield's working capital at December 31, 1977 was \$504,296 compared with \$575,385 at the previous year end. Exploration expenditures, including advances to non-consolidated subsidiary and associated corporations, totalled \$304,098 in 1977 compared with \$726,411 in 1976. Revenue for the year, representing interest on bank deposit, short term investments, dividend income and foreign exchange gains, totalled \$304,689 against \$80,439 in 1976.

Consolidated net loss for the year amounted to \$321,498 which compares with the 1976 loss of \$418,400. The principal item contributing to the loss during the year was the write-off of exploration expenditures totalling \$657,800. The comparable write-off in the previous year was \$399,675. Other exploration expenditures have been deferred in accordance with the Company's accounting policies.

GENERAL EXPLORATION

In addition to its considerable exposure to exploration through separate and independent programs of its principal affiliated companies, Northgate, Vestgron and Whim Creek, your Company is pursuing a progressively expanding role in exploration, both on its own account and through joint ventures, principally in Canada.

Two claim groups were acquired during the year by staking, including 11 claims in Nairn Twp., Ontario, to cover an area containing radioactive sandstone-greywacke on which preliminary reconnaissance prospecting was carried out; and a group of 41 claims in McArthur Twp., Ontario, to

cover a known showing of lead-zinc with associated gold-silver mineralization. Initial sampling of the sulphide showing on this latter property gave assays greater than 10% combined lead-zinc and one sample also assayed 0.128 ounce gold per ton. Follow-up prospecting, including trenching and geophysical surveys are planned for both properties during the current field season.

Joint Ventures

The principal joint venture projects involved those in association with Northgate Exploration Limited including the working option agreement in the Ortell Lake area, Yukon, and the continuation of the 1976 uranium project in the Johan Beetz area, Quebec, in which your Company has contributing participations of 40% and 25% respectively.

The Ortell Lake project involves four contiguous properties totalling 215 claims adjacent to and between two blocks held by McIntyre Mines Limited. A preliminary exploration program was undertaken during September-October consisting of geological prospecting and detailed soil sampling. Geochemical results have confirmed the presence of six strongly anomalous zones. Geological mapping has traced the favourable dolomite zone through the optioned ground and located lead-zinc mineralization in several localities.

The original 1976 property acquisitions in the Johan Beetz joint venture with Northgate comprised 347 claims (267 Desherbiers Twp. and 80 Courtemanche Twp.). Following evaluations in the 1976-1977 field seasons, 101 claims were allowed to lapse (81 Desherbiers Twp., 20 Courtemanche Twp.) and two groups (100 claims) were acquired west and south of the original group in Courtemanche Twp., leaving the net property holdings as follows:

Group A — Desherbiers Twp.	186 claims
Group B — Courtemanche Twp.	60 claims
Group C — Courtemanche Twp.	40 claims
Group D — Courtemanche Twp.	60 claims
	<hr/>
	346 claims

The field program of airborne radiometric survey, completed in 1976, covered the two original groups A and B, indicating over 100 individual anomalies. These anomalies were grouped by proximity and setting into seven zones (B-H) on the Desherbiers property and two zones (A and B) on the Courtemanche block.

The 1977 field program had as its objective the field recognition of the airborne anomalies on the

ground with a more intensive investigation of one of the strongest zones (D) in the Desherbiers Group A property which is relatively accessible to the town of Johan Beetz. At the end of the 1977 season, a number of promising areas remained untested and will be part of the 1978 program.

Regional and local geological mapping, prospecting, reconnaissance and detailed scintillometer surveys and selective magnetic and spectrometer surveys, together with trenching and sampling were carried out on the A and B Groups. The greatest concentration of work was on Zone D where the scope of work involved detailed spectrometer investigations down to a 5' by 5' grid on available outcrop, cobra drilling, surface trenching and bulk sampling. The main work was done on six of the 14 known anomalies on Zone D.

In general, this work has indicated a diversity of potential ranging from small and as yet undelimited pegmatite dike occurrences where uranium is concentrated, as evidenced by two trenches in one anomaly yielding assays of 3.20 lbs. U_3O_8 per ton across 24 feet and 1.83 lbs. across 24 feet, to more extensive areas of multiple dike showing low grade mineralization (generally in the range of + 0.4 lbs./ton) as yet undefined as to average grade or tonnage dimensions.

For metallurgical purposes, a 10-ton bulk sample was sent to Lakefield Research of Canada laboratories. This 10-ton sample was taken from a total of approximately 50 tons of material, the reject product of over 700 trench and 200 cobra drill 100-lb. samples. The test work revealed the following favourable results:

1. A representative sample on chemical analysis contained 0.045% (0.90 lbs/ton) U_3O_8 per ton, low thorium and appreciable yttrium and molybdenum.
2. Penetration tests and leaching with acid are excellent, showing that 95% to 98% of the contained uranium was effectively leached in 24 to 48 hours with an indicated low acid consumption.

These tests have indicated acid leaching will recover the uranium with minimal difficulties.

Groups C and D were acquired late in the fall of 1977 following ground definition of radioactive zones. The 1978 program will include reconnaissance surveys of these groups as well as detailed investigations of known radioactive areas.

Natural Gas Project

Subsequent to the 1977 year end, your Company has acquired a 7.5% working interest in a joint venture with Cairn Petroleum Limited involving the drilling of a test gas well on a 3.5 section tract in the Slave Point area, Northeastern B.C. Cairn obtained the tract on a farmout from B. P. Explorations Canada Limited, Ethyl Corporation, Union Oil of Canada and Frio Oil Limited.

By contributing \$70,000 representing 10% of the drilling and other costs totalling approximately \$700,000, Westfield will be entitled to a 7.5% working interest until payout, thereafter reducing to an earned interest of 3.65% in the well and the undrilled remaining 2.5 sections. The initial test well was spudded on March 8th and reached a depth of 1,915 feet when drilling was suspended due to early spring breakup. Drilling is scheduled to resume in late December. A gas transmission line runs within a half mile of this well location and has a tie-in point at that site.

NORTHGATE EXPLORATION LIMITED

Northgate is a mining, exploration and investment holding company. Its principal wholly owned Irish subsidiary is Irish Base Metals Limited operating the Tynagh lead-zinc-silver-copper mine in County Galway. During 1977 the Tynagh Mine treated 616,388 tons of ore and produced 59,501 tons of concentrates. The comparative figures for 1976 were 594,823 tons of ore treated and 59,060 tons of concentrates produced.

Financial results for 1977 showed a consolidated net loss, after an extraordinary item, of \$590,000 equal to 8.5¢ per share. The extraordinary item in 1977 was an income tax reduction of \$178,000 or 2.5¢ per share, realized through the application of prior years' capital and other allowances. There was a comparable \$598,000 loss in 1976. One of the major factors contributing to the net loss incurred in 1977 was the substantial increase in exploration expenditures from \$1,541,000 (restated) in 1976 to \$2,371,000 in 1977, an increase of \$830,000 which reflected the higher level of exploration activity in Ireland and Canada during the year.

The proven reserves at the Tynagh Mine at the 1977 year end totalling approximately 1.5 million tons are only sufficient to maintain mining under current economic conditions until the end of 1979. Estimated production for 1978 is about 55,000 tons of concentrates from 550,000 tons of ore. The approximate 30% decline in the European producer

price for zinc, from U.S. 36.1¢ per lb. in the first quarter of 1977 to a current price of U.S. 24.9¢ per lb. will clearly impact negatively on the financial results from mining operations in 1978 and beyond.

Northgate enjoys a strong financial position with working capital at December 31, 1977 of \$26.4 million compared with \$27.4 million a year earlier. The 1977 year end quoted market value of Northgate's principal investments including shares in associated companies was approximately \$18.1 million compared with \$21.7 million a year earlier.

Northgate's holdings in associated companies include 2,803,075 shares (45%) of Westfield Minerals Limited, 1,689,500 shares (24%) of Anglo United Development Corporation Limited, and 3,500,000 shares (31.5%) of Whim Creek Consolidated N. L. Other substantial investments held by Northgate at the 1977 year end include 643,741 shares (10%) of Tara Exploration and Development Company Limited, and 220,000 shares (5%) of Vestgron Mines Limited.

VESTGRON MINES LIMITED

Vestgron Mines Limited, 62.5% owned by Cominco Ltd., reported net earnings for 1977 of \$5,721,000 equal to \$1.35 per share against \$15,572,000 or \$3.68 per share in 1976. Earnings are obtained from the mining operations at the Black Angel Mine of the company's wholly owned Danish subsidiary, Greenex A/B, in West Greenland.

Concentrate production in 1977 amounted to 132,300 metric tons of zinc concentrate and 39,500 tons of lead concentrate from the treatment of 553,600 metric tons of ore grading 15.1% zinc and 6.1% lead. The comparable production figures for 1976 were 142,800 tons of zinc concentrate and 37,900 tons of lead concentrate from the treatment of 601,800 tons grading 14.7% zinc and 5.2% lead.

Revenue in 1977 amounting to \$42,847,000 came from the sale of 137,941 tons of zinc concentrate and 44,053 tons of lead concentrate. This compares with \$49,234,000 in 1976 from the sale of 172,962 tons of zinc concentrate and 44,053 tons of lead concentrate.

During the year, Greenex repaid \$9,708,000 on its term loans, leaving a balance outstanding at year end of \$15,086,000. Greenex also paid \$3,205,000 to Vestgron by way of dividends and this amount was used to redeem the balance of the 10% Income Debenture.

Vestgron reported that 1977 earnings were adversely affected by the decreased volume of zinc sales and depressed European zinc prices, together with moderate increases in operating and exploration costs. A six-week work stoppage interrupted production in June and July. These adverse affects were partially offset by strong demand and higher prices for lead concentrate.

Reported ore reserves at December 31, 1977 were 3,574,000 metric tons grading 4.6% lead and 12.4% zinc. These reserves compare with 3,571,751 tons grading 4.9% lead and 13.9% zinc a year earlier.

Vestgron also reported that underground and surface exploration in 1977 outlined an easterly extension of the Cover Zone which is still open. This exploration, coupled with development within the Angel Zone, located an amount of new ore approximately equal to production. The surface drill program also located two new areas of mineralization approximately 800 metres southeast and northeast of the present Cover Zone boundaries. These represent targets for further exploration.

WHIM CREEK CONSOLIDATED N. L.

Whim Creek is active in exploration on its own account and in conjunction with other companies, principally in the West Pilbara region and in the Meekatharra and Eastern Goldfields areas, Western Australia. In addition to its exploration activities, which in 1977 were mainly directed on gold properties, the company was actively engaged in metallurgical and engineering studies on its Whim Creek-Mons Cupri oxide copper deposits and the Meekatharra gold deposits.

At December 31, 1977 the property holdings of Whim Creek Consolidated and its subsidiaries comprised a combined area of 16,670 hectares.

Mining Operations

The high grade copper ore mined by open pit at Whundo during 1976, yielding approximately 6,000 metric tons grading 24.5% copper, was shipped in late June and final settlement was received before the end of 1977. The settlement price was A\$1,339 per metric ton and the resultant operating profit was A\$725,216.

Whim Creek-Mons Cupri Deposits

Metallurgical and engineering studies relating to a possible leaching operation based on the Whim Creek-Mons Cupri oxide copper deposits are nearly complete. The Whim Creek deposit is owned outright by the company and agreement in principle has been reached with Texasgulf Australia to acquire the rights to the Mons Cupri oxide deposit. The combined ore reserves of acid leachable ore (proved and possible) for the two deposits are 3,360,000 metric tons of 1.4% copper.

Results of investigations to date for the treatment of this ore are technically encouraging, however, final conclusions will be strongly influenced by both the current and long term outlook for copper prices.

Gold Properties

The pilot scale heap leaching test evolving around the Meekatharra gold properties which commenced in late 1976 was completed in May, 1977. The tests showed a 70% recovery of the gold from run-of-the-mine oxidized ore from the Haveluck deposit. Further test work necessary for metallurgical and engineering design purposes, which might also improve recoveries, is in progress.

Percussion drilling of the Haveluck deposit has shown possible reserves of 855,000 metric tons grading 2.5 grams per ton (0.08 oz/ton). The possible reserves for the other properties comprising the Meekatharra Joint Venture Agreement are 1.3 million metric tons averaging 3.9 grams per ton (0.129 oz/ton).

Late in 1977, the company acquired the interest of one of the joint venture partners in the Meekatharra Joint Venture and as a result Whim Creek now has the right to earn a 50% interest (formerly 25%) in the properties which consist of 38 gold mining leases. Under the terms of the Murchison Joint Venture farm-in agreements, Whim Creek is carrying out work on a number of other gold properties in the Murchison Goldfield district.

Agreements enabling Whim Creek to earn a 51% interest in these properties is being negotiated.

Other farm-in agreements covering a total of 19 mineral claims and 23 gold mining leases have been entered into, the terms of which enable Whim Creek to earn a minimum of 80% interest through expenditure and/or development. It is contemplated that on completion of the current additional test work, consideration can be given to start-up planning for the treatment of these ores.

Financial

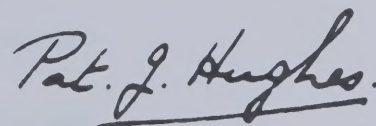
Whim Creek's exploration expenditures for the year, including costs of feasibility studies and metallurgical test work, amounted to approximately A\$587,000. Working capital at December 31, 1977 amounted to A\$1,104,708 compared with A\$1,083,983 a year earlier.

(Note: All dollar figures are in Australian funds — A\$1.00 equals \$1.25 in Canadian funds)

GENERAL

Your Company's exploration activities were maintained at a high level during 1977 and a further broadening of these efforts is planned for the current year. The recent joint venture participation in natural gas identifies your Company's shift of exploration activities into energy fields which already emphasize the investigation into uranium properties.

On behalf of the Board of Directors,



"Pat. J. Hughes"
Chairman of the Board and President

Toronto, Canada
May 1, 1978

CONSOLIDATED BALANCE SHEET

ASSETS

Current assets:

Cash and bank term deposits

Due from associated corporations

Amounts receivable

Total current assets

Investments (notes 1(a), 1(b), 2 and accompanying schedule):

Non-consolidated subsidiary corporations

Associated corporations

Other corporations

Exploration expenditures deferred (note 1(c))

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued charges

Due to associated corporations

Total current liabilities

Deferred income taxes (note 1(d))

Shareholders' equity:

Capital (note 3) —

Issued:

6,236,197 common shares

Contributed surplus (no change during year)

Retained earnings (note 7)

On behalf of the Board:

M. K. PICKARD, Director

W. M. GILCHRIST, Director

(See accompanying notes)

WESTFIELD MINERALS LIMITED

(Incorporated under the Canada Corporations Act)

AUDITORS' REPORT

December 31,	
1977	1976
\$ 644,891	\$ 636,310
	179
12,947	7,028
657,838	643,517
2	2
5,384,381	5,384,381
761,410	760,617
6,145,793	6,145,000
223,455	577,157
<u>\$7,027,086</u>	<u>\$7,365,674</u>

December 31,	
1977	1976
\$ 85,028	\$ 59,481
68,514	8,651
153,542	68,132
	102,500

623,620	623,620
3,875,951	3,875,951
4,499,571	4,499,571
2,373,973	2,695,471
6,873,544	7,195,042
<u>\$7,027,086</u>	<u>\$7,365,674</u>

To the Shareholders of
Westfield Minerals Limited:

We have examined the consolidated balance sheet of Westfield Minerals Limited as at December 31, 1977 and the consolidated statements of loss, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants

Toronto, Canada,
February 7, 1978.

WESTFIELD MINERALS LIMITED

CONSOLIDATED STATEMENT OF LOSS

	Year ended December 31,	
	1977	1976
REVENUE:		
Interest on bank deposits and short-term investments	\$ 36,682	\$ 85,090
Dividends on investment in Northgate Exploration Limited	259,092	
Foreign exchange gain (loss)	8,915	(4,651)
	<u>304,689</u>	<u>80,439</u>
ADMINISTRATIVE AND GENERAL EXPENSES:		
Administrative fee	12,111	12,500
Consultants' fees	21,283	35,489
Legal and audit	8,589	12,579
Transfer agent	3,769	6,802
Reports to shareholders and other shareholder costs	5,316	7,620
Directors' fees	11,100	7,800
Other.....	8,719	26,996
	<u>70,887</u>	<u>109,786</u>
INCOME (LOSS) BEFORE THE FOLLOWING	<u>233,802</u>	<u>(29,347)</u>
Gain on sale of investments		10,582
Investments written down (note 1(a))	(31,679)	(5,830)
Exploration expenditures written off (note 1(c))	(626,121)	
Exploration advances to associated corporation written off (note 1(c))		(393,845)
	<u>(657,800)</u>	<u>(389,093)</u>
Loss before income taxes	(423,998)	(418,440)
Deferred income taxes	102,500	
LOSS for the year (per share: 1977 — (5¢); 1976 — (7¢))	<u>\$ (321,498)</u>	<u>\$ (418,440)</u>

(See accompanying notes)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended December 31,	
	1977	1976
Retained earnings, beginning of year	\$2,695,471	\$3,113,911
Loss for the year	(321,498)	(418,440)
Retained earnings, end of year	<u>\$2,373,973</u>	<u>\$2,695,471</u>

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended December 31,	
	1977	1976
SOURCE OF FUNDS:		
Interest income and foreign exchange gain or loss	\$ 45,597	\$ 80,439
Dividend income	259,092	
	304,689	80,439
Proceeds on disposal of investments		12,083
	<u>304,689</u>	<u>92,522</u>
APPLICATION OF FUNDS:		
Administrative and general expenses	70,887	109,786
Exploration expenditures	272,419	375,014
Purchase of investments	793	10,276
Exploration advances to non-consolidated subsidiary and associated corporations	31,679	351,397
	<u>375,778</u>	<u>846,473</u>
Decrease in funds during the year	(71,089)	(753,951)
Working capital, beginning of year	575,385	1,329,336
Working capital, end of year	<u>\$ 504,296</u>	<u>\$ 575,385</u>
REPRESENTED BY:		
Current assets	\$ 657,838	\$ 643,517
Less current liabilities	153,542	68,132
	<u>\$ 504,296</u>	<u>\$ 575,385</u>

(See accompanying notes)

CONSOLIDATED SCHEDULE OF INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARY CORPORATIONS, ASSOCIATED CORPORATIONS AND OTHER CORPORATIONS

	Number of shares	Carrying value (notes 1(a) and 1(b)) December 31,	
		1977	1976
Non-consolidated subsidiary corporations		\$ 2	\$ 2
Associated corporations:			
Whim Creek Consolidated N.L. (22% owned) (quoted market value, 1977 — \$1,250,000; 1976 — \$2,250,000) (note 2)	2,500,000*	712,497	712,497
Northgate Exploration Limited (13.6% owned) (quoted market value, 1977 — \$4,167,955; 1976 — \$4,683,095)	936,619*	4,671,554	4,671,554
Westpark Exploration Company (33% owned) (no quoted market value).....	33,000	330	330
		<u>5,384,381</u>	<u>5,384,381</u>
Other corporations:			
Vestgron Mines Limited (9.8% owned) (quoted market value, 1977 — \$4,248,728; 1976 — \$6,010,395)	414,510*	621,630	621,630
Other		139,780	138,987
		<u>761,410</u>	<u>760,617</u>
Total		<u>\$6,145,793</u>	<u>\$6,145,000</u>

* Whim Creek Consolidated N.L. is listed on Australian stock exchanges.

Northgate Exploration Limited is listed on Canadian, American and London stock exchanges and Vestgron Mines Limited on Canadian stock exchanges.

Because of the substantial number of shares of these companies held by Westfield the amount which might be realized if these shares were to be sold may be more or less than the market values quoted for such shares.

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 1977****1. SUMMARY OF ACCOUNTING POLICIES**

The following accounting policies of Westfield Minerals Limited ("Westfield") are set forth to facilitate the understanding of data presented in these consolidated financial statements:

(a) Principles of consolidation —

The consolidated financial statements include the accounts of Westfield and of the subsidiary, WFD Ltd., a wholly-owned United States exploration company incorporated during the 1976 year.

The accounts of two other subsidiaries are not consolidated herein as they are not material to these financial statements. Westfield's investment in such subsidiaries is carried at a nominal amount, being cost less \$164,911 written off to date (including \$31,679 in 1977 and \$5,830 in 1976) to reflect Westfield's share of such subsidiaries' losses to December 31, 1977.

(b) Investment in associated and other corporations —

Westfield's investments in associated and other corporations are carried at cost, or, where it has been estimated that there has been a loss in value which is other than a temporary decline, at cost less an amount of write-down to recognize such loss (see also note 2).

(c) Exploration expenditures deferred —

Exploration expenditures are deferred until the results of the related projects are known. If the project is successful the related exploration expenditures are amortized over a period of years, pro rata to anticipated income from that source. If the project is abandoned or considered to be of no immediate value to the corporation, the related expenditures are charged at such time against income. The costs deferred at any time do not necessarily reflect present or future values.

(d) Deferred income taxes —

Westfield follows the tax allocation method of accounting for income taxes. Under this method deferred income taxes are provided or credited to income on timing differences between accounting income and income for tax purposes. These differences arise because certain amounts claimed for tax purposes (mainly exploration costs) differ from amounts written off in the accounts.

2. INVESTMENT IN WHIM CREEK CONSOLIDATED N.L.

Northgate Exploration Limited ("Northgate"), an associated corporation which owns approximately 45% of the outstanding shares of Westfield, and Westfield, own together approximately 54% of the outstanding shares of the associated corporation Whim Creek Consolidated N.L. ("Whim Creek"). The investment in Whim Creek is subject to Australian foreign ownership legislation, and remittances from that country may be subject to Australian foreign exchange regulations.

Westfield's investment in Whim Creek is carried at cost less amounts written off. This is in accordance with accounting principles presently generally accepted in Canada as Westfield's investment does not represent effective control of such corporation. Northgate, which accounts on an equity basis for its investment in Westfield and Whim Creek, files its reports with the Securities and Exchange Commission in the United States. Under United States accounting principles, Westfield would be required to carry its investment in Whim Creek similarly on an equity basis, as such investment is sufficient to give Westfield "significant influence" in the affairs of Whim Creek.

If the United States equity basis of accounting for Whim Creek had been applied in these financial statements:

- Westfield would have charged \$129,845 (\$140,846 in 1976) against income as its share of the net loss of Whim Creek for the year,
- as a result of the foregoing, Westfield's recorded loss for 1977 would have been increased from \$321,498 to \$451,343 (from 5¢ per share to 7¢ per share) and its loss for 1976 would have been increased from \$418,440 to \$559,286 (from 7¢ per share to 9¢ per share),

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**DECEMBER 31, 1977**

- the carrying value of Westfield's investment in Whim Creek in the December 31, 1977 balance sheet would have been greater by \$50,531 (greater by \$180,376 at December 31, 1976), and shareholders' equity in Westfield's balance sheets at such dates would have been increased by corresponding amounts. However, the adjustment to shareholders' equity would have been reflected as an increase of \$1,076,941 in contributed surplus in both years and a reduction in retained earnings of \$1,026,410 at December 31, 1977 and \$896,565 at December 31, 1976.

In computing Westfield's equity in Whim Creek, the consolidated financial statements of that corporation, which have been reported on by Australian chartered accountants, have been translated into Canadian dollars on the following bases: current monetary assets and liabilities at the exchange rate at the end of each year; fixed assets and deferred exploration and development expenditures at the rates prevailing in the years the related costs were incurred; income and expense at average exchange rates for each year, with the exception of depreciation, and exploration and development expenditures written off, which are at rates prevailing when the related costs were incurred. Exchange gains and losses (not material) resulting from such translation have been included in computing the above reported amounts of Westfield's equity in the net loss of Whim Creek in 1976 and 1977 in accordance with current United States practice.

3. SHARE CAPITAL

The authorized share capital of Westfield consists of:

150,000 5% non-cumulative, non-participating, convertible, redeemable (at 102%) preferred shares of the par value of \$7.50 each (less 120,000 shares converted or redeemed and cancelled) (none outstanding)

10,000,000 common shares of the par value of 10¢ each (6,236,197 outstanding)

4. INTEREST IN CERTAIN RESOURCE PROPERTY AND SURFACE RIGHTS

During the 1975 year Westfield sold a resource property and certain surface rights. As part of the sale agreement, Westfield is entitled to a 25% net profit carried interest in all production from the mining rights, including ores, concentrates and metals produced during the term of the agreement, such term being from January 1, 1975 to December 31, 2024, with a renewal option, exercisable by either party, for a further fifty years.

Westfield is also entitled to receive 33⅓% of such net proceeds as may be realized at any time in the future from the sale of the surface rights.

No income was earned under this agreement during the years 1975 to 1977 inclusive.

5. INCOME TAXES

Accumulated tax losses aggregating approximately \$65,000 which expire as to \$12,000 in 1978, \$28,000 in 1981 and \$25,000 in 1982 may be available under applicable provisions of the Income Tax Act (Canada) to reduce income subject to tax, if earned, in those years.

6. REMUNERATION OF DIRECTORS AND OFFICERS

During the year, Westfield had ten directors and four officers (of whom three were also directors). Remuneration paid to the directors, as directors, was \$11,100 (\$7,800 in 1976) and to officers, as officers, was \$21,000 (\$29,100 in 1976).

7. ANTI-INFLATION LEGISLATION AND RELATED DIVIDEND RESTRICTION

Westfield is subject to restrictions on the payment of dividends under the Canadian Anti-Inflation Act, which restrictions are presently scheduled to end during 1978.

WESTFIELD MINERALS LIMITED

(Incorporated under the laws of Canada)

DIRECTORS

Allan J. Anderson,
Toronto, Canada
Consulting Mining Engineer

Sylvester P. Boland,
Dublin, Ireland
Vice-President of Finance and Director,
Northgate Exploration Limited

William M. Gilchrist,
Ottawa, Canada
Consulting Mining Engineer,
Former Chairman, Eldorado Nuclear Limited

Matthew Gilroy,
Dublin, Ireland
Vice-President and Director,
Northgate Exploration Limited

A. Garfield Heyes,
Toronto, Canada
Vice-President of Corporate Relations and Director,
Northgate Exploration Limited

Patrick J. Hughes,
Dublin, Ireland
President and Director,
Northgate Exploration Limited

Peter McAleer,
Dublin, Ireland
Barrister at Law,
Vice-President, Northgate Exploration Limited

John P. Millenbach,
Toronto, Canada
Mining Engineer

Murray K. Pickard,
Toronto, Canada
Consulting Mining Engineer,
Director, Northgate Exploration Limited

George T. Smith,
Toronto, Canada
Barrister and Solicitor,
President, Camflo Mines Limited

Officers

Patrick J. Hughes, *Chairman and President*
George T. Smith, *Vice-President*
A. Garfield Heyes, *Vice-President*
Thomas E. Kelly, *Secretary-Treasurer*

Executive and Head Office

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Toronto-Dominion Centre,
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Toronto, Canada M5K 1A1

Transfer Agent and Registrar

Crown Trust Company,
302 Bay Street, Toronto, Canada

Bankers

Canadian Imperial Bank of Commerce,
Toronto, Canada

Shares Listed

The Toronto Stock Exchange,
Toronto, Canada

Auditors

Clarkson, Gordon & Co.,
Chartered Accountants,
Toronto, Canada

